

S. C. PUBLIC SERVICE COMMISSION
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1 AT&T COMMUNICATIONS OF THE SOUTHERN STATES, INC.

2 SWORN TESTIMONY OF RICHARD GUEPE

3 BEFORE THE SOUTH CAROLINA PUBLIC SERVICE COMMISSION

4 DOCKET NO. _____

5 MARCH 2, 1999

S. C. PUBLIC SERVICE COMMISSION
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UTILITIES DEPARTMENT

7 Q. PLEASE STATE YOUR NAME, BUSINESS ADDRESS AND TITLE.

8 A. My name is Richard Guepe, and my business address is 1200 Peachtree Street, Atlanta,
9 Georgia 30309. I am employed by AT&T Corp. as a District Manager in the Law &
10 Government Affairs organization.

12 Q. BRIEFLY OUTLINE YOUR EDUCATIONAL BACKGROUND AND BUSINESS
13 EXPERIENCE IN THE TELECOMMUNICATIONS INDUSTRY.

14 A. I received a Bachelor of Science Degree in Metallurgical Engineering in 1968 from the
15 University of Notre Dame in South Bend, Indiana. I received a Masters of Business
16 Administration Degree in 1973 from the University of Tennessee in Knoxville, Tennessee.
17 My telecommunications career began in 1973 with South Central Bell Telephone
18 Company in Maryville, Tennessee, as an outside plant engineer. During my tenure with
19 South Central Bell, I held various assignments in outside plant engineering, buildings and
20 real estate, investment separations and division of revenues. At divestiture (1/1/84), I
21 transferred to AT&T Corp., where I have held numerous management positions in Atlanta,

Georgia, and Basking Ridge, New Jersey, with responsibilities for investment separations, analysis of access charges and tariffs, training development, financial analysis and budgeting, strategic planning, regulatory issues management, product implementation, strategic pricing, and docket management.

Q. HAVE YOU PREVIOUSLY TESTIFIED BEFORE ANY STATE PUBLIC SERVICE COMMISSION?

A. Yes, I have testified on behalf of AT&T Communications of the Southern States, Inc. (AT&TCSS) in South Carolina, Alabama, Florida, Georgia, North Carolina, Mississippi, and Tennessee on product implementation issues, pricing issues, and policy issues.

Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY?

A. The purpose of my testimony is to describe to the Commission a proposed purchase and sale of certain assets by and between SmarTalk TeleServices, Inc. (SmarTalk) and AT&T Corp. and the assumption of certain SmarTalk customer responsibilities by AT&T Corp. which will be fulfilled in South Carolina by AT&T Corp.'s wholly-owned subsidiary AT&T Communications of the Southern States, Inc.

Q. PLEASE DESCRIBE THE PROPOSED TRANSACTION.

A. AT&T Corp. has agreed to purchase from SmarTalk, substantially all of SmarTalk's assets and assume certain of its liabilities. These assets include: leased real property; contracts

1 with suppliers and customers; intellectual property (owned, licensed and patent/trademark
2 applications); certain telecommunications equipment and facilities; office furniture and
3 equipment; books and records; and cash on hand, accounts receivable and other current
4 assets as shown on the balance sheet as of the closing. The terms of sale and purchase
5 are embodied in an Asset Purchase Agreement (Agreement) in proceedings filed by
6 SmarTalk pursuant to Chapter 11 of the Bankruptcy Code in the Bankruptcy Court in the
7 State of Delaware. In that proceeding, SmarTalk has filed a motion for authorization to
8 sell the affected assets to AT&T Corp. Under the Agreement, the closing of the
9 transaction is expressly conditioned upon the approval by the Bankruptcy Court of the
10 Agreement, the asset sale, the assignment and assumption of SmarTalk's contracts to
11 AT&T Corp., and a finding of AT&T Corp. as a "good faith" purchaser. Consummation
12 of the Agreement is also conditioned upon the grant of all required government approvals.
13 The transaction is scheduled to be closed on April 1, 1999.

14 By the terms of the Agreement, AT&T Corp. will accept responsibility to fulfill
15 outstanding obligations owed by SmarTalk to customers holding prepaid SmarTalk calling
16 cards and prepaid SmarTalk cellular telephones prior to April 1, 1999, the anticipated date
17 of the closing. In view of the fact that AT&T Corp. has ample financial strength,
18 facilities and managerial expertise to fulfill those commitments, the transaction is in the
19 public interest. Additionally, the proposed transaction will not have a negative effect on
20 telephone competition in South Carolina, since all of the businesses of SmarTalk are
21 highly competitive with those of other prepaid-card and other telecommunications service

1 providers. For this reason, too, the Commission should find that the transaction is in the
2 public interest.

3 SmarTalk has no physical facilities in South Carolina, however, it does serve card-service
4 customers in this state pursuant to rates and tariffs approved by the Commission. Under
5 the Agreement, AT&T Corp. will assume liability for the unused minutes on SmarTalk's
6 prepaid calling cards and all prepaid wireless obligations of SmarTalk. The parties are
7 informed and believe that no customer inconvenience or increased cost of service by
8 customers will be incurred as a result of this transaction.

9 All Smartalk service obligations to South Carolina customers assumed by AT&T Corp.,
10 will be fulfilled by AT&TCSS. Implementation of the transaction necessitates the
11 withdrawal of SmarTalk's rates and tariffs in South Carolina and the filing of rates and
12 tariffs by AT&TCSS. AT&TCSS' proposed rates and tariffs, which are identical to these
13 by SmarTalk, will be filed with the Commission.

14 In this petition, SmarTalk, AT&T Corp., and AT&TCSS jointly request that the
15 Commission review and approve the contemplated transfer of assets from SmarTalk to
16 AT&T Corp., as approved by the Bankruptcy Court in Delaware; the Commission
17 approve, as of the date of closing, the cancellation of SmarTalk's Certificate of Public
18 Convenience and Necessity and the withdrawal by SmarTalk of its rates and tariffs in
19 South Carolina and approve the rates and tariffs of AT&TCSS of the Southern States,
20 Inc., to be filed with the Commission; and the Commission consider the requests of this
21 Petition on an expedited basis since the Agreement provides for a scheduled closing date

1 of April 1, 1999.

2 **Q. DOES THIS COMPLETE YOUR TESTIMONY?**

3 **A. Yes.**

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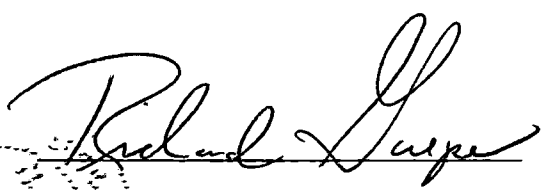
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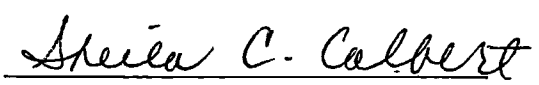
STATE OF SOUTH CAROLINA)
)
COUNTY OF RICHLAND)

VERIFICATION

PERSONALLY APPEARED BEFORE ME, Richard Guepe, who, being
duly sworn, deposes and says that he is a District Manager in the Law and
Government Affairs organization for AT&T; that he verifies this testimony on
behalf of AT&T; that he is authorized to do so; that the facts stated in the
testimony have been assembled by employees and counsel for AT&T; and that
the answers are true and correct to the best of his knowledge, information and
belief.



SWORN to and subscribed before me
this first day of March, 1999.



Notary Public for Gwinnett County
My Commission expires: Notary Public Gwinnett County, Georgia
My Commission Expires March 14th, 1999